

## Q & A

**Q. My statement now shows that I have different contribution types. What does that mean?**

**A.** The “Activity by Contribution Type” section shows any activity you may have had in your account with all the potential types of money. Previous statements did not make a distinction between contribution types, but the information was accounted for separately. A potential contribution type or account status would include: salary deferral, installment, qualified plan rollover, divorce settlement, and beneficiary. In many cases, these assets must be accounted for separately and have specific restrictions or separate rules that govern their use or taxable status.

**Q. When are distribution checks, rollover checks, or direct deposits mailed or wired?**

**A.** Ongoing distributions are made the second Friday following the first Thursday of each month from our recordkeeper, T. Rowe Price, in Baltimore, Maryland. Please allow four business days for checks that are mailed and two business days for direct deposits. A schedule of distribution dates is available through the Deferred Compensation Office.

## What's Inside...

### Legislative Impact

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) brought changes to the State Employees' Deferred Compensation Plan that help to bring defined contribution plans, such as 401(k), 403(b), and 457 plans, into equal status. The contribution rates and distribution rules are now similar for these types of retirement savings plans. The new rules have been communicated in the quarterly newsletter, direct mailings, and in group presentations sponsored by various agencies. Participants have responded to the long-anticipated opportunities.

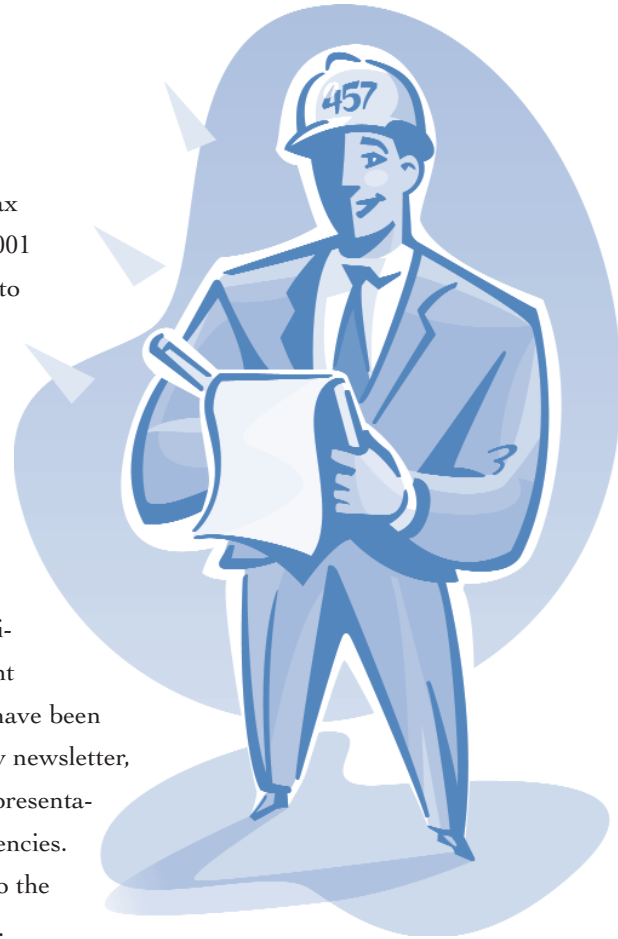
The Deferred Compensation Office experienced higher-than-normal productivity in processing the new requests during the first quarter of the year. Continued utilization of the new provisions is expected to continue into the third quarter of the year, then begin to slow to what should become a normal processing activity (more on page 2).

### Facts and Figures

In 2001, the Plan received more than \$140.9 million in deferrals. The average monthly deferral in 2001 was \$302 with an average of 38,830 participants each month (more on page 2).

### Diversification

Choosing investments is a very personal decision, but it really does not have to be a difficult task. It all comes down to what you expect and when you need your money. Are you saving for retirement 20 years down the road or just around the corner? In either case, you need to know what to expect from your investments and choose a risk comfort level that diversifies your savings across several types of investments (more on page 3).



## Legislative Impact (cont. from page 1)

The following activity occurred in the Plan as a result of EGTRRA. These changes are favorable for participants and will continue to increase the popularity of the Deferred Compensation Plan among employees.

### Activity

The division processed change forms for numerous participants wishing to take advantage of the new deferral limits. The number of forms processed to change a deferral amount totaled more than 5,000 for the first three months of 2002. Normal activity for these forms is half of that, or approximately 800 forms a month. There are approximately 1,040 participants that will defer the maximum for the 2002 tax year.

One of the most favored changes, the ability to change a distribution method, accounted for increased activity during the first three months of the year. There were 279 participants that stopped their distributions altogether. Another 336 made a change to increase or decrease their original distribution selections. Participants in distribution have the ability to change a distribution election once during semiannual periods (January through June and July through December).

EGTRRA allows for portability of retirement plan assets for those separating from employment or for those already in distribution status as a previous employee. During the first quarter, just over 200 of 6,000 eligible participants (3.3%) requested to roll over \$13.5 million to other retirement plans, including 401(k)s, 403(b)s, and IRAs.

The permissive service credits generated activity with 200 participants transferring \$10 million to the State Retirement Systems, State University Retirement System, or one of the reciprocal retirement systems in Illinois.

## Facts and Figures (cont. from page 1)

### Market Value of the Plan

The market value of all investment funds as of December 31, 2001, was \$1.79 billion.

Fund	Value
Stable Return Fund	\$419,491,585
Vanguard Money Market	42,179,463
Vanguard Bond Index	26,706,511
New Income Fund	48,327,079
Puritan Fund	178,904,014
Fidelity	270,905,985
Vanguard Institutional Trust	160,062,529
Wells Fargo Large Cap	2,349,218
Acorn	536,652,608
Ariel Growth	62,262,508
PIC Small Cap	1,677,683
International Stock	41,980,177

**Total \$1,791,499,366**

The largest account value at the end of 2001 was \$798,240.

### Account Values of Participants

Value	Participants
\$1-\$3,500	10,791
\$3,501-\$10,000	10,857
\$10,001-\$25,000	11,125
\$25,001-\$50,000	7,853
\$50,001-\$100,000	6,065
\$100,001-\$250,000	4,037
\$250,001-Infinity	571

## Diversification (cont. from page 1)

All investments have some uncertainty or risk. Probably the most common and widely-feared risk is volatility risk—the chance of losing some of the money you have invested. Investments in the stability category generally eliminate this type of risk. However, placing all your assets in the stability category may increase another type of risk—inflationary risk. That means your account may not grow fast enough, compared to inflation, to provide you with as much retirement income as you may like. Growth funds provide protection against this risk. Growth funds alone are very volatile, and you may expect your balance to swing up or down sharply.

## Diversifying Can Help You

Spreading your money among the different types of investments—diversifying—can help to manage risk in both cases. Diversifying helps because you haven't "put all your eggs in one basket." In this case, your "eggs" are the dollars that go into the Plan, and each "basket" is a type of fund—a stability fund, a bond fund, a stock fund. Spreading your dollars among the different asset classes helps to reduce the risks inherent in one type of investment alone.

### Telephone Numbers

#### Deferred Compensation:

Plan Rules/Options Information

800.442.1300

217.782.7006

TDD/TTY: 800.526.0844

Internet: [www.state.il.us/cms/employee/defcom](http://www.state.il.us/cms/employee/defcom)

#### Recordkeeper:

T. Rowe Price Retirement Plan Services Account Value

Information and Investment Changes: 888.457.5770

TDD/TTY: 800.521.0325

Internet Access: 800.541.3022

Internet: [rps.troweprice.com](http://rps.troweprice.com)

#### Fund Performance:

Liberty Acorn Fund: 800.922.6769

Ariel Fund: 800.292.7435

Fidelity Funds: 800.544.8888

Provident Investment Counsel: 800.618.7643

Stable Return Fund/PRIMCO: 800.228.7466

T. Rowe Price Funds: 800.922.9945

Vanguard Funds: 800.523.8066

Wells Fargo: 866.561.1153

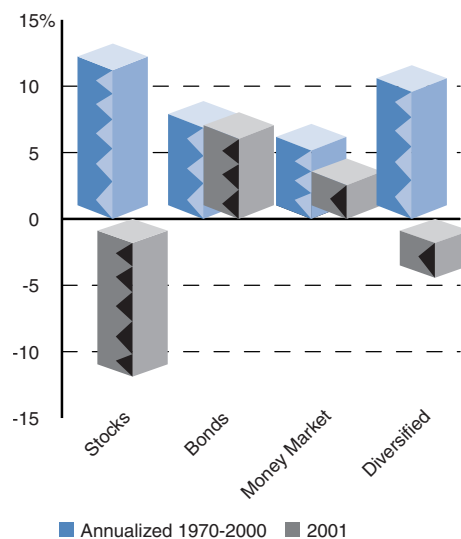
Generally, the longer you have until retirement, the more risk, or percentage of your assets, you would invest in stocks. If you plan to retire soon, you may want more of your account invested in the bond and stability class of assets.

Before you consider diversifying your account, remember that risk and return go together. If you are seeking higher returns, you may have to incur more risk. The level of risk depends upon your comfort level.

To find your comfort level with risk, it helps to know how investments have performed over time. In the chart at right, you see the returns for an account invested in stocks, bonds, and money market investments. The chart also shows the return for a mixed account—one diversified with all three investments.

For more details on diversifying your account, you may review Section 4 of the Building Blocks booklet. If you do not have a book, you may request one from the Deferred Compensation Office or you may find it online at the Deferred Compensation Web site.

## Performance of Different Asset Classes



Returns of the money market portfolio are based on the 50-day U.S. Treasury bills; returns of the income portfolio are based on U.S. intermediate-term government bonds; returns of the growth portfolio are based on the S&P 500; and the returns of the diversified portfolio are based on a portfolio of 10% 50-day U.S. Treasury bills, 50% U.S. intermediate-term government bonds, and 60% S&P 500. All index returns are supplied by Ibbotson Associates. Unlike stocks, T-bills and T-bonds are guaranteed as to the timely repayment of interest and principal. Past performance does not guarantee future results.

Source: Boston Associates. Analysis: T. Rowe Price Associates.

## Income and Price Information

1st Quarter 2002

Transaction Date	Vanguard Bond Index	T. Rowe Price New Income <sup>1</sup>	Fidelity Puritan <sup>2</sup>	Fidelity <sup>3</sup>	Vanguard Inst. Index <sup>4</sup>	Wells Fargo Lg. Co. Growth	Liberty Acorn	Ariel	T. Rowe Price Int'l Stock	PIC Small Cap Growth
01/02/02	\$10.10	\$8.64	\$17.67	\$28.95	\$105.51	\$49.90	\$17.79	\$37.52	\$10.99	\$15.12
01/03/02	10.12	8.65	17.74	29.10	106.48	50.78	17.91	37.67	11.15	15.41
01/04/02	10.12	8.65	17.84	29.17	107.14	51.19	18.09	37.83	11.22	15.57
01/07/02	10.16	8.69	17.80	29.02	106.45	50.60	17.92	37.59	11.14	15.28
01/08/02	10.16	8.69	17.72	28.95	106.09	50.52	17.97	37.75	11.02	15.28
01/09/02	10.17	8.70	17.69	28.81	105.58	50.43	17.94	37.84	11.01	15.24
01/10/02	10.22	8.74	17.71	28.78	105.72	50.63	17.93	37.74	10.90	15.30
01/11/02	10.26	8.77	17.62	28.63	104.72	50.35	17.75	37.59	10.92	15.15
01/14/02	10.24	8.77	17.55	28.48	104.06	49.66	17.53	37.43	10.77	14.83
01/15/02	10.25	8.77	17.65	28.67	104.78	50.06	17.59	37.49	10.79	14.83
01/16/02	10.24	8.77	17.45	28.34	103.08	49.17	17.46	37.33	10.60	14.48
01/17/02	10.20	8.73	17.51	28.51	104.11	49.86	17.58	37.54	10.66	14.61
01/18/02	10.22	8.74	17.47	28.32	103.08	49.00	17.44	37.28	10.68	14.37
01/22/02	10.21	8.74	17.42	28.25	102.33	48.43	17.39	37.09	10.59	14.18
01/23/02	10.18	8.70	17.49	28.46	103.14	48.85	17.59	37.26	10.60	14.52
01/24/02	10.17	8.69	17.54	28.50	103.50	49.13	17.65	37.23	10.68	14.74
01/25/02	10.16	8.68	17.59	28.53	103.60	49.03	17.64	37.42	10.57	14.72
01/28/02	10.16	8.68	17.60	28.56	103.59	49.04	17.59	37.52	10.63	14.60
01/29/02	10.20	8.72	17.31	27.93	100.63	47.64	17.33	37.16	10.50	14.35
01/30/02	10.19	8.71	17.44	28.09	101.83	48.46	17.47	37.41	10.37	14.48
01/31/02	10.17	8.69	17.59	28.46	103.36	49.36	17.71	37.76	10.46	14.65
02/01/02	10.19	8.71	17.54	28.27	102.63	48.91	17.67	37.73	10.48	14.57
02/04/02	10.22	8.73	17.28	27.68	100.09	47.70	17.34	37.34	10.43	14.13
02/05/02	10.21	8.71	17.18	27.61	99.69	47.62	17.18	37.31	10.24	13.97
02/06/02	10.19	8.69	17.12	27.38	99.10	47.31	17.01	37.14	10.19	13.76
02/07/02	10.18	8.68	17.12	27.27	98.81	46.88	16.97	36.91	10.24	13.59
02/08/02	10.21	8.71	17.29	27.57	100.29	47.72	17.23	37.43	10.28	13.94
02/11/02	10.20	8.71	17.45	27.87	101.73	48.26	17.36	37.69	10.41	14.14
02/12/02	10.18	8.69	17.40	27.79	101.32	47.90	17.31	37.62	10.43	14.22
02/13/02	10.16	8.68	17.49	27.99	102.36	48.54	17.44	37.75	10.49	14.36
02/14/02	10.18	8.70	17.48	27.95	102.18	48.57	17.39	37.81	10.61	14.23
02/15/02	10.21	8.72	17.44	27.73	101.06	47.62	17.30	37.78	10.57	14.02
02/19/02	10.20	8.72	17.26	27.26	99.16	46.52	17.06	37.53	10.35	13.56
02/20/02	10.20	8.72	17.38	27.59	100.51	47.05	17.20	37.96	10.23	13.79
02/21/02	10.20	8.71	17.27	27.26	98.95	45.96	17.00	37.46	10.35	13.48
02/22/02	10.22	8.73	17.38	27.38	99.77	45.97	17.15	37.86	10.29	13.51
02/25/02	10.21	8.72	17.59	27.84	101.56	46.73	17.27	38.08	10.38	13.69
02/26/02	10.18	8.70	17.59	27.86	101.56	46.50	17.40	38.10	10.42	13.81
02/27/02	10.22	8.73	17.67	27.86	101.65	46.28	17.52	38.27	10.58	13.81
02/28/02	10.21	8.73	17.68	27.79	101.36	46.07	17.49	38.36	10.57	13.45
03/01/02	10.17	8.69	17.86	28.40	103.66	47.36	17.74	38.48	10.71	13.85
03/04/02	10.16	8.68	18.10	28.91	105.68	48.90	18.06	38.70	11.02	14.36
03/05/02	10.16	8.69	18.02	28.62	104.98	48.51	18.01	38.61	10.98	14.46
03/06/02	10.15	8.68	18.22	28.97	106.52	48.94	18.22	39.00	11.13	14.61
03/07/02	10.10	8.64	18.14	28.85	106.05	48.75	18.28	39.09	11.24	14.61
03/08/02	10.05	8.60	17.99	28.87	106.66	49.37	18.53	39.28	11.26	14.91
03/11/02	10.05	8.60	18.06	28.89	107.03	49.41	18.51	39.20	11.22	14.94
03/12/02	10.05	8.60	18.10	28.90	106.79	49.00	18.54	39.12	11.07	14.82
03/13/02	10.07	8.61	18.00	28.66	105.76	48.37	18.44	39.10	11.04	14.66
03/14/02	10.01	8.57	17.98	28.60	105.66	48.18	18.46	39.35	11.11	14.69
03/15/02	10.02	8.58	18.10	28.97	106.86	48.95	18.52	39.46	11.16	14.75
03/18/02	10.04	8.59	18.11	28.95	106.81	49.05	18.59	39.64	11.18	14.90
03/19/02	10.04	8.59	18.16	29.08	107.25	49.23	18.66	40.06	11.23	14.89
03/20/02	10.01	8.57	18.00	28.65	105.56	48.21	18.59	39.89	11.16	14.63
03/21/02	10.02	8.57	17.97	28.62	105.72	48.38	18.69	40.10	11.13	14.86
03/22/02	10.01	8.57	17.91	28.47	104.96	48.08	18.61	39.97	11.11	14.74
03/25/02	10.00	8.56	17.77	28.04	103.43	47.24	18.43	39.64	10.99	14.45
03/26/02	10.03	8.59	17.87	28.26	104.05	47.59	18.55	39.90	11.01	14.56
03/27/02	10.04	8.59	17.95	28.37	104.60	47.86	18.71	40.45	11.02	14.69
03/28/02	10.00	8.57	17.94	28.42	104.86	48.14	18.77	40.60	11.15	\$14.85

<sup>1</sup>T. Rowe Price New Income earnings are calculated using daily income accruals. T. Rowe Price credits earnings to the first working day of the following month. Therefore, 30 days were credited for January, 28 days were credited for February, and 31 days were credited for March.

<sup>2</sup>Fidelity Puritan declared a distribution of \$.12 payable March 8, 2002, to shareholders of record on March 7, 2002, using a share value of \$17.99.

<sup>3</sup>Fidelity declared a distribution of \$.05 payable March 8, 2002, to shareholders of record on March 7, 2002, using a share value of \$28.87.

<sup>4</sup>Vanguard Institutional Index declared a distribution of \$.31 payable March 22, 2002, to shareholders of record on March 21, 2002, using a share value of \$104.96.